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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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VIA HAND DELIVERY

Magalie Roman Salas, Secretary
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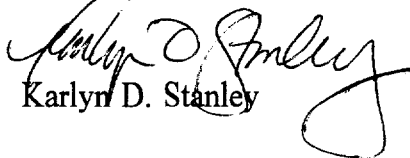
Re: In the Matter of Federal-State Joint Board on Universal Service
CS Docket 96-45

Dear Ms. Salas:

Enclosed for filing in the above-referenced matter, please find the original and four copies of Comments of Centennial Cellular Corporation.

Thank you for your kind attention to this matter.

Sincerely,


Karlyn D. Stanley

Enclosures

cc: Sheryl Todd, Accounting Policy Division
ITS (with diskette)

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

In the Matter of

Federal-State Joint Board on
Universal Service

CC Docket 96-45

**COMMENTS OF
CENTENNIAL CELLULAR CORPORATION**

Centennial Cellular Corporation ("Centennial"), by its attorneys and pursuant to Sections 1.415 and 1.419 of the Commission's rules, 47 C.F.R. §§ 1.415, 1.419, submits these comments in response to the Commission's Further Notice of Proposed Rulemaking in this matter.¹

Centennial owns two operating entities that provide competitive telecommunications services in Puerto Rico: Centennial PCS Operations Corp., the only operating PCS service in Puerto Rico ("Centennial PCS"), and Lambda Operations Corp., the only operational landline-based competitive local exchange carrier in Puerto Rico ("Lambda").

Both Centennial PCS and Lambda have been certified as "eligible telecommunications carriers" under Section 214(e) of the Communications Act and are

¹ See In the Matter of Federal-State Joint Board on Universal Service, *Memorandum Opinion and Order and Further Notice of Proposed Rulemaking*, CC Docket No. 96-45, FCC 98-278 (released October 26, 1998) ("*Further Notice*").

eligible to receive universal service support. Centennial has a direct and compelling interest in the Commission's universal service rules as a recipient of support for providing service in the Puerto Rico study area -- the study area which receives the highest amount of high cost universal service support.²

These comments focus on the issues raised by the Commission in its *Further Notice* with respect to whether the universal service support mechanisms and rules are competitively neutral and facilitate the entry of new providers.³ In particular, Centennial would like to bring to the Commission's attention the discrepancies between the reporting requirements applicable to incumbent local exchange carriers ("ILECs") and those applicable to competitive carriers as raised by Western Wireless Corporation ("Western Wireless") in its October 15, 1998 Petition for Clarification or Rulemaking.⁴ Centennial's situation in Puerto Rico demonstrates why the Commission's rules concerning loop data reporting should be revised. Under the current rules, new entrants will be denied universal service fund support that they are eligible to receive.

² The Universal Service Administrative Company ("USAC") has projected the total high cost support amount for the Puerto Rico study area for the first quarter of 1999 will be \$26,112,579. *See* USAC Quarterly Administrative Filing for FY 1999, Appendix 4 (dated November 2, 1998).

³ *See Further Notice* at paras. 42-45.

⁴ *See* Public Notice, *Western Wireless Corporation Petition for Clarification or Rulemaking*, CC Docket No. 96-45 (released November 3, 1998)(the "Western Wireless Petition").

Centennial's recent filing for universal service fund support demonstrates the disparate impact of the current rules. Under §54.307 of the FCC's rules, Centennial submitted its data submission to USAC on July 31, 1998, reporting the number of working loops serviced by Centennial PCS and Lambda in the Puerto Rico service area as of December 31, 1997. It appears from USAC data that Centennial is one of the first competitive carriers to file for universal service support.⁵ In accordance with §54.307 of the rules, Centennial PCS and Lambda are due to receive universal service fund support in 1999 for each working loop they served in the Puerto Rico study area based on the same "per-line" amount the Puerto Rico Telephone Company ("PRTC") receives.⁶

ILECs, including PRTC, were also required to file an annual data submission with USAC in July, reporting their number of working loops as of December 31, 1997. However, under §36.612 of the rules, PRTC is permitted to update this information on a quarterly basis and updated information is factored into its high-cost support computation. Under the reporting requirements for competitive carriers, §54.307 of the rules, there is no similar mechanism for Centennial to provide updated loop information. As a result, PRTC will receive support in 1999 based on the number of working loops it served in December,

⁵ See USAC Quarterly Administrative Filing for FY 1999, Appendix 4 (dated November 4, 1998).

⁶ Based on the USAC Quarterly Administrative Filing for FY 1999, Appendix 4 (dated November 2, 1998), the "per-line" amount is approximately \$23.54 for the Puerto Rico study area.

1997 *plus any additional loops it began to service in 1998* while Centennial, on the other hand, will receive support only for the number of working loops it served as of December, 1997. For Centennial, whose working loops in Puerto Rico have more than tripled during 1998, this gap is highly significant. The amount of support lost will be at least \$300,000 for the *first quarter* of 1999.

Centennial is also affected by the problem outlined in the Western Wireless Petition that presents new entrants with a two year delay in receiving universal service support.⁷ Centennial began operations in Puerto Rico in 1996. However, it will not begin receiving universal service support until this year -- and then only for the number of lines served at the end of 1997. In the meantime, PRTC has been receiving universal service support for the two years during which Centennial has been competing in its study area but without comparable support. Centennial agrees with Western Wireless that the Commission should revise its rules to enable new entrants to enter the Universal Service high cost support funding system more frequently and to allow new entrants to receive support once they enter the system based on a current or recent number of customer lines.

Two of the Commission's goals for the Universal Service Fund are to enhance competition and to protect competitive neutrality. In adopting the principle of competitive

⁷ See *Western Wireless Petition* at pages 6-7.

neutrality, the Commission stated that "an explicit recognition of competitive neutrality in the determination of eligibility in universal service support mechanisms is consistent with the congressional intent and necessary to promote a 'pro competitive, de-regulatory national policy framework.'"⁸ The Commission concluded that "competitively neutral rules will ensure that such disparities are minimized so that no entity receives an unfair competitive advantage that may skew the marketplace or inhibit competition by limiting the available quantity of services or restricting the entry of potential service providers."⁹ It will enhance competition in Puerto Rico to provide the full extent of universal service support to new entrants, like Centennial, that are providing local services to residents that the incumbent carrier does not provide. Therefore, the Commission's rules need to be amended to permit new entrants to update their working loop data on the same reporting schedule as the ILECs. Specifically, Centennial recommends that the Commission adopt new rule provisions under § 54.307 as proposed by Western Wireless to explicitly allow competitive carriers to provide updated working loop information and to allow new entrants to enter the Universal Service high cost support system more frequently.¹⁰ Otherwise, the Commission's rules create a disparity in the

⁸ See In the Matter of Federal-State Joint Board on Universal Service, *Report & Order*, 12 FCC Rcd 8776 (1997)("Universal Service Order") at 48.


⁹ See *Universal Service Order*, 12 FCC Rcd at 8802, para. 48.

¹⁰ See Western Wireless Petition at pages 7-10.

receipt of universal service funding that undermines the very purpose of the Universal Service Fund.

Respectfully submitted,

CENTENNIAL CELLULAR CORPORATION

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